



LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, KY 40232

January 26, 2004

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JAN 27 2004

PLANNING & DEVELOPMENT
COMMISSION

Re: Kentucky Utilities Company (Case No. 2003-00301)

Dear Mr. Dorman:

Pursuant to Ordering Paragraph No. 6 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

On January 15, 2004 KU borrowed \$50 million from Fidelia Corporation in accordance with the order issued September 22, 2003 in the above-referenced case. The details of the loan are shown below:

| | |
|--------------------|---|
| Borrower: | Kentucky Utilities Company |
| Lender: | Fidelia Corporation |
| Amount: | \$50 million |
| Maturity Date: | January 16, 2012 |
| Interest Rate: | 4.39% |
| Price Paid: | 100% |
| Proceeds: | \$50 million |
| Commissions Paid: | None |
| Legal Costs: | None |
| Security for Loan: | None |
| Interest Payments: | July 15 and January 15 commencing July 15, 2004 |



January 26, 2004

Mr. Thomas Dorman, Executive Director
Kentucky Public Service Commission
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The interest rate was set using the average rate quoted to E.ON AG at .89% above the yield on the seven-year treasury bond (3.50%). The supporting price indications from three investment banks is attached along with a copy of a page from Bloomberg showing the yield on the treasury bond on January 15. The average rate quoted to E.ON AG by the investment banks was lower than the lowest bid quoted to KU. Once again, the supporting price indications are attached. The bids are summarized in the table below:

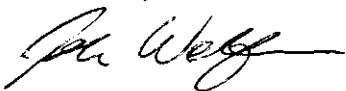
| | KU Pricing | E.ON AG Pricing |
|---------------------------------------|------------|-----------------|
| Low bid above eight-year treasury | .82% | |
| Ten-year treasury rate | 3.72% | |
| All-in cost | 4.54% | |
| Average bid above seven-year treasury | | .89% |
| Ten-year Swap rate | | 3.50% |
| All-in cost | | 4.39% |

The proceeds of the loan were used to repay the balance outstanding under the accounts receivable securitization program that was terminated on January 16, 2004.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided.

Should you have any questions regarding this transaction or this information, please contact me at 502-627-4110 or contact Don Harris at 502-627-2021.

Sincerely,



John Wolfram

cc: Dan Arbough
Kendrick Riggs – Ogden, Newell, and Welch

<HELP> for explanation, <MENU> for similar functions.

P226 Govt HP

BGN/NY/CLOSE/MID/YTW

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US TREASURY N/B T 5 02/15/11 109-13+ /109-15+ (3.48 /48) BGN @ 7:05

Range **7/16/03** to **1/16/04**

Source **BGN**

HI **109-22** ON **10/ 1/03**

Period **D** Daily

AVE **107.18**

Market **M** Mid/Last

LOW **104-17** ON **9/ 2/03**

| DATE | PRICE | YIELD | DATE | PRICE | YIELD | DATE | PRICE | YIELD |
|---------|---------|-------|---------|---------|-------|---------|---------|-------|
| F 1/16 | 109-14+ | 3.480 | F 12/26 | 108-03 | 3.698 | F 12/ 5 | 107-14+ | 3.804 |
| T 1/15 | 109-10+ | 3.501 | T 12/25 | 107-26+ | 3.740 | T 12/ 4 | 106-13+ | 3.964 |
| W 1/14 | 109-09+ | 3.506 | W 12/24 | 107-26+ | 3.740 | W 12/ 3 | 106-04 | 4.011 |
| T 1/13 | 109-09 | 3.509 | T 12/23 | 107-07 | 3.834 | T 12/ 2 | 106-08 | 3.992 |
| M 1/12 | 108-22+ | 3.598 | M 12/22 | 107-27+ | 3.736 | M 12/ 1 | 106-06+ | 3.999 |
| | | | | | | | | |
| F 1/ 9 | 108-23+ | 3.593 | F 12/19 | 108-03 | 3.700 | F 11/28 | 106-20+ | 3.932 |
| T 1/ 8 | 107-15+ | 3.787 | T 12/18 | 108-05 | 3.692 | T 11/27 | 107-09 | 3.834 |
| W 1/ 7 | 107-17 | 3.780 | W 12/17 | 107-28+ | 3.733 | W 11/26 | 107-09 | 3.834 |
| T 1/ 6 | 107-10+ | 3.812 | T 12/16 | 107-23+ | 3.758 | T 11/25 | 107-24 | 3.763 |
| M 1/ 5 | 106-19 | 3.927 | M 12/15 | 107-13+ | 3.806 | M 11/24 | 107-14+ | 3.809 |
| | | | | | | | | |
| F 1/ 2 | 106-19+ | 3.925 | F 12/12 | 107-18 | 3.785 | F 11/21 | 108-00 | 3.726 |
| T 1/ 1 | 107-16+ | 3.785 | T 12/11 | 107-20+ | 3.774 | T 11/20 | 108-04+ | 3.706 |
| W 12/31 | 107-16+ | 3.785 | W 12/10 | 106-30 | 3.883 | W 11/19 | 107-18 | 3.794 |
| T 12/30 | 107-13 | 3.803 | T 12/ 9 | 106-20 | 3.931 | T 11/18 | 108-08 | 3.690 |
| M 12/29 | 107-15 | 3.794 | M 12/ 8 | 107-08 | 3.835 | M 11/17 | 107-29+ | 3.740 |

Australia 61 2 9777 8600

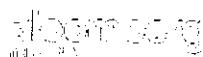
Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2004 Bloomberg L.P.

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<HELP> for explanation, <MENU> for similar functions.

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BGN/NY/CLOSE/MID/YTW

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US TREASURY N/B T 4 7/8 02/15/12 108-02 /108-04 (3.71 /70) BGN @ 8:14

Source **BGN**

HI 108-08+ ON 10/ 1/03

Range **7/15/03** to **1/15/04**

Period **D** Daily

AVE 105.64

Market **M** Mid/Last

LOW 102-28 ON 9/ 2/03

| DATE | PRICE | YIELD | DATE | PRICE | YIELD | DATE | PRICE | YIELD |
|---------|---------|-------|---------|---------|-------|---------|---------|-------|
| F | | | F 12/26 | 106-22+ | 3.904 | F 12/ 5 | 106-00+ | 4.005 |
| T 1/15 | 108-03 | 3.706 | T 12/25 | 106-13+ | 3.944 | T 12/ 4 | 104-29+ | 4.159 |
| W 1/14 | 107-30 | 3.728 | W 12/24 | 106-13+ | 3.944 | W 12/ 3 | 104-19+ | 4.204 |
| T 1/13 | 107-27 | 3.742 | T 12/23 | 105-25+ | 4.032 | T 12/ 2 | 104-24+ | 4.182 |
| M 1/12 | 107-08 | 3.824 | M 12/22 | 106-15+ | 3.936 | M 12/ 1 | 104-24+ | 4.182 |
| F 1/ 9 | 107-09 | 3.820 | F 12/19 | 106-24+ | 3.897 | F 11/28 | 105-07+ | 4.116 |
| T 1/ 8 | 105-31 | 4.004 | T 12/18 | 106-26+ | 3.889 | T 11/27 | 105-28+ | 4.025 |
| W 1/ 7 | 106-01 | 3.996 | W 12/17 | 106-15+ | 3.937 | W 11/26 | 105-28+ | 4.025 |
| T 1/ 6 | 105-25+ | 4.029 | T 12/16 | 106-09 | 3.966 | T 11/25 | 106-11+ | 3.960 |
| M 1/ 5 | 105-00 | 4.142 | M 12/15 | 105-30+ | 4.012 | M 11/24 | 106-01 | 4.006 |
| F 1/ 2 | 105-01+ | 4.136 | F 12/12 | 106-02+ | 3.995 | F 11/21 | 106-19 | 3.928 |
| T 1/ 1 | 106-01 | 3.997 | T 12/11 | 106-04+ | 3.987 | T 11/20 | 106-22+ | 3.914 |
| W 12/31 | 106-01 | 3.997 | W 12/10 | 105-14 | 4.085 | W 11/19 | 106-03 | 3.998 |
| T 12/30 | 105-29+ | 4.013 | T 12/ 9 | 105-04 | 4.130 | T 11/18 | 106-26+ | 3.897 |
| M 12/29 | 106-00+ | 4.000 | M 12/ 8 | 105-25 | 4.038 | M 11/17 | 106-14+ | 3.949 |

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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Indicative pricing for Louisville G&E and Kentucky Utilities as of 1/13/04

Louisville Gas & Electric

First Mortgage Bond Ratings: A1/A-

Issue Size: \$25 million

| Maturity (Years) | 2 | 3 | 5 | 7 | 8 | 10 | 30 |
|--|-------------------------|-------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| Pricing Index | UST 1.625% due 10/05 | UST 2.625% due 11/06 | UST 3.375% due 11/08 | UST 5.000% due 2/11 | UST 4.875% due 2/12 | UST 4.250% due 11/13 | UST 5.375% due 2/31 |
| Index Yield (As of 8:44 AM EST) | 1.66% | 2.10% | 3.05% | 3.59% | 3.80% | 4.09% | 4.99% |
| Credit Spread (bps) | 36 area | 55 area | 48 area | 50 area | 53 area | 60 area | 75 area |
| Reoffer Yield | 2.02% | 2.65% | 3.53% | 4.09% | 4.33% | 4.69% | 5.74% |
| Swap Spread (bps) | 32 | 47 | 36 | 36 | 34 | 37 | NA |
| Fixed Swapped to Floating ⁽¹⁾ 3mL + | 4 area | 9 area | 12 area | 14 area | 19 area | 24 area | NA |
| Standard Gross Fees | \$2.50 | \$3.50 | \$6.00 | \$6.25 | \$6.25 | \$6.50 | \$8.75 |
| Net Interest Cost | 2.15% | 2.77% | 3.66% | 4.19% | 4.42% | 4.77% | 5.80% |
| All-In Fixed Spread (bps) | 49 | 67 | 61 | 60 | 62 | 68 | 81 |

Kentucky Utilities

Senior Unsecured Ratings: A2/BBB+

Issue Size: \$50 million

| Maturity (Years) | 2 | 3 | 5 | 7 | 8 | 10 | 30 |
|--|-------------------------|-------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| Pricing Index | UST 1.625% due 10/05 | UST 2.625% due 11/06 | UST 3.375% due 11/08 | UST 5.000% due 2/11 | UST 4.875% due 2/12 | UST 4.250% due 11/13 | UST 5.375% due 2/31 |
| Index Yield (As of 8:44 AM EST) | 1.66% | 2.10% | 3.05% | 3.59% | 3.80% | 4.09% | 4.99% |
| Credit Spread (bps) | 56 area | 75 area | 68 area | 70 area | 73 area | 80 area | 95 area |
| Reoffer Yield | 2.22% | 2.85% | 3.73% | 4.29% | 4.53% | 4.89% | 5.94% |
| Swap Spread (bps) | 32 | 47 | 36 | 36 | 34 | 37 | NA |
| Fixed Swapped to Floating ⁽¹⁾ 3mL + | 24 area | 29 area | 32 area | 34 area | 39 area | 44 area | NA |
| Standard Gross Fees | \$2.50 | \$3.50 | \$6.00 | \$6.25 | \$6.25 | \$6.50 | \$8.75 |
| Net Interest Cost | 2.35% | 2.97% | 3.86% | 4.39% | 4.62% | 4.97% | 6.00% |
| All-In Fixed Spread (bps) | 69 | 87 | 81 | 80 | 82 | 88 | 101 |

Redemption: Either Non-Callable for Life or at a "Make-Whole" to USTs

(1) 3mL = 1.12%

Arbough, Dan

From: Hiller, Howard L [FI]
Sent: Tuesday, January 13, 2004 9:42 AM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: RE: Indicative Pricing

Dan :

There are a lot of 2012 bonds around; including ComEd 6.15 3/1/2012. They are all quoted off of 10-year -- note 8-year Treasury is about 25 bp lower.

For consistency with market practice we would quote these levels off of the benchmark 10-year with a correspondingly tighter spread.

Please note disclaimer language below.

Borrower: Louisville Gas and Electric
Amount: \$25 million
Term: 8 years
Security: First Mortgage Bond (A1/A- rating)

Benchmark: 10-year Treasury

Reoffer Spread: T+ 45 bp

All-In Spread: T+55 bp

Borrower: Kentucky Utilities
Amount: \$50 million
Term: 8 years
Security: Senior Unsecured (A2/BBB+ rating)

Benchmark: 10-year Treasury

Reoffer Spread: T+ 55 bp

All-In Spread: T+65 bp

Please call me if you need further information.

Howard Hiller

Managing Director

Fixed Income Capital Markets

Citigroup Global Markets Inc.

390 Greenwich Street, 4th Floor

New York, NY 10013

1/13/2004

Louisville Gas and Electric
Kentucky Utilities
Indicative Pricing Levels

15 JANUARY 2004



**WACHOVIA
SECURITIES**

Indicative Pricing Levels

Louisville Gas and Electric as of 01/15/2004

| | Institutional |
|-----------------------------------|------------------------------|
| Maturity | 8 year |
| Structure | Senior Notes |
| Pay Frequency | Semi-Annual |
| Benchmark Treasury | US Treasury 4.875% Feb. 2012 |
| Treasury Yield (%) | 3.75 |
| Reoffer Spread over Comp Treasury | 75 |
| Coupon (%) | 4.50 area |
| Underwriting Fee (%) | .625 |
| Proceeds to Company | \$99.375 |
| All-In-Cost (%) | 4.59 |

Kentucky Utilities as of 01/15/2004

| | Institutional |
|-----------------------------------|------------------------------|
| Maturity | 8 year |
| Structure | Senior Notes |
| Pay Frequency | Semi-Annual |
| Benchmark Treasury | US Treasury 4.875% Feb. 2012 |
| Treasury Yield (%) | 3.75 |
| Reoffer Spread over Comp Treasury | 90 |
| Coupon (%) | 4.65 area |
| Underwriting Fee (%) | .625 |
| Proceeds to Company | \$99.375 |
| All-In-Cost (%) | 4.74 |

Arbough, Dan

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Thursday, January 15, 2004 8:31 AM
To: Arbough, Dan; Fidelia (E-Mail)
Subject: Spread ABN

Importance: High

-----Ursprüngliche Nachricht-----
Von: hussain.hussain@uk.abnamro.com
[mailto:hussain.hussain@uk.abnamro.com]
Gesendet: Mittwoch, 14. Januar 2004 15:18
An: Heintzen, Lioba
Betreff: 8 year US\$ Levels
Wichtigkeit: Hoch

Dear Ms Heintzen,

Further to your request, please find below indicative pricing for E.ON for a 8 year USD transaction:

- 1) re-offer spread vs. mid-swaps = + 35 bp (all in: mid-swaps + 42 bp)
- 2) re-offer spread vs the 7 year treasury note (UST 5.00% February 2011)
= + 90 bp (all in T + 97 bp)

Please do not hesitate to contact me if you have any queries

Kind regards,

Hussain Hussain
German Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 8710
Fax: +44 (0) 207 678 3597
Mobile +44 (0) 7901 515 728

Hypothetical pricing for a 8-year US\$ placement (14 January 2004)

The table below shows hypothetical pricing for E.ON. Note that this amount would be unusually small for an actual placement to take place

| Issuer / ratings: | E.ON entity guaranteed by E.ON AG (rated A1 stable / AA- negative outlook) |
|--|---|
| Maturity: | 8 years |
| US Treasury yield (% s.a.): | 3.59 (UST due Feb 2011) |
| US\$ mid swap rate (% s.a.): | 4.08 |
| Re-offer spread vs. UST (bp): | +75 area |
| Re-offer spread vs. mid swaps (bp): | +26 area |
| Re-offer yield (% s.a.): | 4.34 area |
| Coupon (% s.a.): | 4.375 |
| Fees (%): | 0.25 |
| All-in cost in fixed rate (% s.a.): | 4.38 area |
| All-in spread vs. UST (bp): | +79 area |
| All-in spread vs. US\$ mid swaps (bp): | +30 area |

BARCLAYS

Arbough, Dan

From: Heintzen, Lioba
Sent: Thursday, January 15, 2004 8:31 AM
To: Fidelia (E-Mail); Arbough, Dan
Subject: Spread Morgan Stanley

-----Ursprüngliche Nachricht-----

Von: Rode, Christoph (GCM) [mailto:Christoph.Rode@morganstanley.com]
Gesendet: Mittwoch, 14. Januar 2004 16:21
An: Heintzen, Lioba
Betreff: 8y Private Placement

Dear Ms Heintzen,

Thank you for your recent enquiry. We estimate E.ON AG's all-in funding cost for a \$50m 8-year private placement to be as follows:

Mid Swaps + 34 basis points
 Treasuries (5.00% Feb-11) + 90 basis points

These valuation estimates are indicative and are not an offer to purchase or sell any instrument or enter into, transfer and assign, or terminate any transaction, or a commitment by Morgan Stanley to make such an offer.

Please do not hesitate to contact us with any questions.

Kind regards,

Christoph Rode
 Morgan Stanley
 20 Cabot Square | Canary Wharf | London, E14 4QW
 Phone: +44 20 7677-9928
Christoph.Rode@morganstanley.com

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1/16/2004